sources (money lenders). A one time settlement scheme was also introduced to enable the farmers to settle their old accounts, to enable them to become eligible for fresh credit.

(c) Efforts made by Government resulted in enhanced credit flow to agriculture sector during the year 2004-05. During this period, the commercial banks achieved a growth of 39%; the RRBs achieved a growth of 55% and cooperative banks registered a growth of 14% resulting in overall growth of 32% in credit flow to agriculture sector. During the year 2005-06, the overall credit flow to agriculture is targeted at Rs. 1,41,000 crores. By September, 2005, the actual flow to agriculture is Rs. 83,502 crores.

Foreign exchange reserves

1450. SHRI K. RAMA MOHANA RAO: Will the Minister of FINANCE be pleased to state:

(a) what are the country's foreign exchange reserve as on July, 2005;

(b) whether it is a fact that the forex reserved are not going up as per the expectations of Government;

(c) if so, the reasons for such a tardy increase in the forex reserves; and

(d) whether the recent rise in the forex reserves is because of revaluation of some of the international currencies and intervention by the RBI on the domestic forex market to mop up dollars?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The foreign exchange reserves stood at US $ 140.5 billion at the end of July, 2005. There is no target for accumulation of foreign exchange reserves. The variation in foreign exchange reserves depends upon the demand and supply conditions in the foreign exchange market determined by, *inter alia*, exports, imports and other current and capital accounts transactions.

(d) The accretion to foreign exchange reserves in the last few years has occurred mainly on account of RBI's purchases of US dollar in the local forex market to maintain orderly conditions and to ensure that the exchange rate of the rupee reflects economic fundamentals. However,

the increase in foreign exchange reserves also includes the effect of depreciation of non-US currencies (such as Euro, Pound Sterling and Yen) held in reserves, *vis-a-vis* the US Dollar depending upon the movement in the exchange rate of the US dollar *vis-a-vis* other international currencies.

Ad-hoc compensations to States

1451. SHRIMATI SYEDA ANWARA TAIMUR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have agreed to provide monthly ad-hoc compensations to States whose actual revenue growth from VAT falls short;

(b) if so, the details thereof;

(c) the States whose actual revenue growth fell down due to implementation of VAT; and

(d) the details regarding ad-hoc compensation, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Central Government have agreed to provide compensation to the States for revenue loss on account of introduction of VAT @100% of revenue loss during 2005-06, 75% during 2006-07 and 50% during 2007-08. For this purpose, the actual tax revenue in a particular period is compared with the projected tax revenue for that period and any shortfall in the actual tax revenue is taken as the revenue loss. The projected tax revenue is calculated by taking the tax revenue during corresponding period of 2004-05 as the base revenue and applying the average annual growth rate of the best three years out of last 5 years upto 2004-05. The Central Government has agreed to provide the compensation on monthly basis.

(c) and (d) Based on the above modalities for calculation of revenue loss for the purposes of compensation, 9 States have so far reported revenue losses. These States are Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Maharashtra, Sikkim, Tripura and West Bengal. Out of these States, total ad-hoc compensation of Rs. 1026.89 crores has